

Message Text

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O R 110545Z SEP 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 4967

INFO AMEMBASSY BANGKOK

AMEMBASSY BRUSSELS

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

USMISSION GENEVA

AMEMBASSY CANBERRA

CINCPAC

AMCONSUL HONG KONG

AMEMBASSY OTTAWA

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 14310

USEEC

USMTN

E.O. 11652: GDS

TAGS: ASEAN, RP

SUBJECT: US-ASEAN ECONOMIC TALKS

REF: STATE 217507

1. SUMMARY. IN TWO AND A HALF DAYS' TALKS, SEPTEMBER 8-10, US AND ASEAN EXCHANGED VIEWS ON A WIDE-RANGING AGENDA OF ECONOMIC SUBJECTS. SPOKESMAN OF ASEAN, SECRETARY ROMULO OF PHILIPPINES, CALLED TALKS HISTORIC. UNDERSECRETARY COOPER'S ARTICULATE AND CANDID EX-CONFIDENTIAL

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POSITION OF U.S. ECONOMIC POLICIES SET THE TONE FOR THE DIALOGUE. ALTHOUGH ASEAN'S APPROACH TO TALKS WAS THAT OF SEEKERS OF BENEFITS IN TRADE, AID AND INVESTMENT, IT WAS EVIDENT AT END THAT ASEAN PARTICIPANTS RECOGNIZED VALUE OF EXCHANGES, WERE PLEASED WITH ADDED REGIONAL DIMENSION OF RELATIONS WITH U.S. SYMBOLIZED BY TALKS, AND WELCOMED FOLLOW-UP ARRANGEMENTS AND CONTINUATION OF DIALOGUE. END

SUMMARY.

2. IN HIS OPENING STATEMENT, SECRETARY ROMULO, SPOKESMAN FOR ASEAN, TRACED ASEAN'S DEVELOPMENT, CITED ITS ACCOMPLISHMENTS AND DECLARED THAT ASEAN HAS BECOME A CATALYST FOR REGIONAL COOPERATION, BOTH THE GOVERNMENT AND PRIVATE SECTORS NOW BEING IMBUED WITH THE ASEAN COOPERATIVE SPIRIT. REFERRING TO ASEAN'S STAKE IN RESHAPING THE INTERNATIONAL ECONOMIC ORDER, HE THEN LISTED AREAS OF ASEAN'S CONCERNS IN COMMODITIES, TRADE, DEVELOPMENT COOPERATION, FLOW OF INVESTMENT.

3. UNDERSECRETARY COOPER IN HIS RESPONSE POINTED OUT THAT WHILE THE U.S. HAS HAD LONG AND FRIENDLY RELATIONS WITH MEMBER STATES OF ASEAN, THIS IS FIRST TIME IT MEETS WITH ASEAN AS A COLLECTIVE INSTITUTION, THEREBY ADDING A NEW DIMENSION TO OUR RELATIONS. CITING FIVE BASIC PRINCIPLES OF OUR POLICY TOWARD ASIA ENUNCIATED BY SECRETARY VANCE, MR. COOPER ASSURED ASEAN THAT THE U.S. WILL REMAIN ENGAGED WITH THE NATIONS OF THIS REGION AND WITH ASEAN. OUR ECONOMIC RELATIONS WITH ASEAN ARE FOUNDED ON INTERDEPENDENCE, THE GUIDING PRINCIPLES OF WHICH SHOULD BE COOPERATION AND MUTUAL BENEFIT. IN REVIEWING THE APPLICATION OF THESE PRINCIPLES TO TODAY'S ECONOMIC PROBLEMS, MR. COOPER POINTED OUT THAT DEVELOPMENT IS NOT AN END IN ITSELF, BUT A CRUCIALLY IMPORTANT MEANS OF IMPROVING THE HUMAN CONDITION.

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TION; THE U.S. WILL CONTINUE TO WORK TOWARD FULFILLMENT OF BASIC HUMAN NEEDS, PROTECTION OF THE INTEGRITY OF THE INDIVIDUAL, AND PROMOTION OF POPULAR PARTICIPATION IN GOVERNMENT. IN CONCLUDING, MR. COOPER NOTED THAT AMONG THE MANY CONCERNS OF ASEAN, AS REFLECTED IN THE KUALA LUMPUR SUMMIT COMMUNIQUE, ARE THE SPREAD OF ILLICIT NARCOTICS AND THE PROBLEM OF REFUGEES, CONCERNS WHICH THE U.S. SHARES AND ON WHICH IT IS PREPARED TO PROVIDE FURTHER ASSISTANCE TO THE STATES MOST DIRECTLY CONCERNED.

4. ASEAN PRESENTED 11 MEMORANDA JUST PRIOR TO THE OPENING OF THE MEETINGS ON A NUMBER OF SUBJECTS COVERING ALL THE SUBSTANTIVE AGENDA ITEMS OF NORTH/SOUTH ISSUES, COMMODITIES, TAX DEFERRAL, OPIC, DEVELOPMENT COOPERATION, AND TRADE ISSUES. BEFORE ENGAGING IN A DIALOGUE ON THESE TOPICS, MR. COOPER PRESENTED A WIDE-RANGING OVERVIEW OF THE WORLD ECONOMIC SITUATION AND AN OUTLINE OF U.S. FOREIGN ECONOMIC POLICY. HE STRESSED IMPORTANCE OF PROMOTING WORLD ECONOMIC RECOVERY AND RESISTING THREAT OF PROTECTIONISM. IN ADDITION, HE COVERED INFLATION, PAYMENTS IMBALANCES, ENERGY, COMMODITY ISSUES AND PRIVATE FOREIGN INVESTMENT. HE ALSO EXPLAINED THE AMERICAN FOREIGN ECONOMIC POLICY-MAKING

PROCESS AND CONGRESS' KEY ROLE IN IT.

5. JOINT PRESS STATEMENT (USINFO CHANNEL) ACCURATELY REFLECTS HIGHLIGHTS AND CONCLUSIONS OF DISCUSSIONS ON SUBSTANTIVE ECONOMIC ISSUES. FOLLOWING SOME SUPPLEMENTARY INFO WHICH MAY BE OF INTEREST.

6. NORTH/SOUTH ISSUES. IN LENGTHY STATEMENT, ASEAN SPOKESMAN, INDONESIAN TRADE MINISTER PRAWIREJN PRESENTED ASEAN'S VIEWS ALONG FAIRLY STANDARD G-77 LINES FOR A NEW INTERNATIONAL ECONOMIC ORDER. MR. COOPER, IN HIS REPLY, SUGGESTED THAT WE SHOULD BE LESS CONCERNED WITH THE OBJECTIVES BUT CONCENTRATE ON MEANS OF ACHIEVING THEM. HE EXPRESSED CONCERN WITH THE TENDENCY TO ENGAGE IN THE POLI-
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TICS OF SEMANTICS REGARDING "RESTRUCTURING OF WORLD ECONOMY" AS SET FORTH IN MANILA DECLARATION. THAT DECLARATION SHOULD NOT BE INDIVISIBLE, OTHERWISE NO PROGRESS CAN BE MADE ON ANY OF THE ISSUES.

7. COMMODITIES. MALAYSIAN MINISTER OF PRIMARY INDUSTRIES DATA MUSA HITAM, SPEAKING FOR ASEAN, MADE AN IMPASSIONED SPEECH, PLEADING FOR 1) THE INTEGRATED PROGRAM FOR COMMODITIES (IPC); 2) THE COMMON FUND; 3) US SUPPORT FOR A STABEX WITH ASEAN. HE CLAIMED SLOW PROGRESS AND LACK OF "POLITICAL WILL" ON PART OF US. HE DID SAY ASEAN NOT INTERESTED IN INCREASING COMMODITY PRICES THROUGH ICA'S AND THESE SHOULD SERVE BOTH PRODUCERS AND CONSUMERS. COOPER SAID WE AGREE WITH IPC OBJECTIVES OF 1) STABILIZATION AGREEMENTS; 2) STABILIZATION OF EXPORT EARNINGS; 3) DEVELOPMENT OF

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ADDITIONAL SUPPLIES AND 4) IMPROVING MARKETS, USES AND FLOW OF INFORMATION. WE DO NOT ALWAYS AGREE ON MEANS OF ACHIEVING THESE OBJECTIVES. ON COMMON FUND, COOPER PLEADED THAT G-77 COME TO UNCTAD NEGOTIATING MEETING WITH ENOUGH FLEXIBILITY IN THEIR POSITION TO MAKE NEGOTIATIONS MEANINGFUL. ON STABEX, COOPER PRESENTED U.S. OPPOSITION TO CONCEPT WHICH MUSA HITAM SEEMED TO ACCEPT IF U.S. AGREES TO OTHER MEANS TO DEAL MORE EFFECTIVELY WITH EXPORT EARNING STABILIZATION. NEVERTHELESS, SOME SEEM TO BE DISAPPOINTED AND HOPED WE COULD LEAVE DOOR OPEN ON STABEX. THERE WAS NO DETAILED DISCUSSION OF INDIVIDUAL CONFIDENTIAL

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COMMODITIES OR PARTICULARS OF COMMON FUND, NOR WAS PROBLEM OF VEGETABLE OILS RAISED.

8. TAX DEFERRAL. IN ADDITION TO WHAT IS CONTAINED IN COMMUNIQUE, MR. COOPER EXPLAINED THAT AMERICAN LABOR CONSIDERS TAX DEFERRAL AS INTEREST-FREE LOAN TO AMERICAN SUBSIDIARIES; OTHERS CONSIDER TAX INCENTIVES FOR DOMESTIC INVESTMENT AS BALANCING OUT TAX DEFERRAL. HE PROMISED TO BRING ASEAN'S CONCERN TO PRESIDENT'S ATTENTION.

9. OPIC. ASEAN ONLY ASKED FOR CONTINUATION OF OPIC PROGRAM. SPECIFIC SINGAPORE PROBLEM WAS NOT RAISED.

10. DEVELOPMENT COOPERATION. ASEAN PRESENTED COMPREHENSIVE LIST OF AID REQUESTS, INCLUDING FEASIBILITY STUDIES, TECHNICAL TRAINING AND GRANTS AND LOANS IN SUPPORT OF ASEAN INDUSTRIAL PROJECTS, PRESENT AND FUTURE. WE INDICATED

LIMITATIONS OF "NEW DIRECTIONS" CRITERIA AND SUGGESTED IFI'S SPECIALLY ADB, EXPORT-IMPORT BANK AND PRIVATE SECTOR AS SOURCE OF CAPITAL AND TECHNOLOGY. ASEAN WAS CLEARLY DISAPPOINTED AND PROBED LIMITS OF BASIS HUMAN NEEDS CRITERIA, E.G., US AID FOR FERTILIZER, PHARMACEUTICAL PRODUCTION TO HELP AGRICULTURE, PUBLIC HEALTH, POPULATION CONTROL. ON OTHER AID REQUESTS, IT WAS AGREED THAT THERE IS CLEARLY POSSIBILITY OF AREAS OF COOPERATION SUPPLEMENTARY TO BILATERAL AID, DETAILS AND MODALITIES TO BE DISCUSSED IN FOLLOW UP.

11. TRADE. ASEAN REQUESTED IMPROVEMENT OF U.S. GSP THROUGH 1) INCLUSION OF INDONESIA; 2) MODIFICATION OF COMPETITIVE NEED EXCLUSION, 3) LIBERALIZATION OF RULES OF ORIGIN; 4) EXPANSION OF PRODUCT COVERAGE AND 5) PERMANENCE OF SCHEME BEYOND 10 YEARS. U.S. SIDE INFORMED CONFIDENTIAL

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ASEAN OF NEW PROCEDURES FOR PETITIONS TO INCREASE CONVERGENCE AND THAT SOME OTHER ISSUES RAISED BY ASEAN ARE UNDER ACTIVE CONSIDERATION BY USG. MAJOR ISSUE IS TIMING OF REQUESTS TO CONGRESS FOR CHANGES IN TRADE ACT.

1. ASEAN WELCOMED U.S. INITIATIVE TO SPEED UP MTN. US URGED EARLY SUBMISSION OF ASEAN, "CONTRIBUTIONS" TO TROPICAL PRODUCTS NEGOTIATIONS. U.S. NOTED ITS SUPPORT FOR SPECIAL AND DIFFERENTIAL TREATMENT IN ACCORDANCE WITH TOKYO DECLARATION, BUT EXPRESSED VIEW THAT GENERAL PROVISIONS OF CODES WOULD PROVIDE GREATER BENEFITS TO ASEAN COUNTRIES, AND STRESSED THAT S&D MUST ALLOW FOR PHASING OUT. ASEAN URGED SPEEDY IMPLEMENTATION OF TROPICAL OFFERS AND PRESENTED LIST FOR IMPROVEMENT OF OFFERS. MTN SIDE TALKS WERE VERY USEFUL AND PROMISE INTENSIFIED WORK IN GENEVA.

13. ASEAN AND U.S. AGREED ON IDENTITY OF INTEREST ON MFA, ASEAN URGED LIBERAL AND FLEXIBLE U.S. TREATMENT IN BILATERALS AND IT WAS AGREED THAT FREQUENT VISITS BY TEXTILE EXPERTS IS DESIRABLE.

14. FOLLOW UP. ASEAN WAS GREATLY PLEASED BY U.S. READINESS TO CONSIDER SEPTEMBER 8-10 TALKS AS BEGINNING OF PROCESS OF A DIALOGUE, BY SETTING TENTATIVE DATE FOR NEXT MEETING IN WASHINGTON AND BY SETTING UP INTERIM FOLLOW-UP MECHANISM.

15. ROMULO'S CONCLUDING REMARKS. AT END OF SUBSTANTIVE SESSION AND BEFORE WORK ON JOINT PRESS STATEMENT BEGAN, SECRETARY ROMULO SAID AS FOLLOWS: BEGIN QUOTE: I WISH TO EXPRESS MY GRATIFICATION TO YOU AND USG AND OUR APPRECIATION.

TION OF THE FACT THAT THE CARTER ADMINISTRATION SENT A POWERFUL GROUP HERE TO MANILA. THIS IS A TURNING POINT IN US RELATIONS WITH ASIA. IN THE PAST, THE US HAS DEALT WITH US BILATERALLY. NOW, IT IS WILLING TO DEAL WITH US
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AS A WHOLE.

THIS IS AN HISTORIC OCCASION. A POWERFUL COUNTRY HAS SEEN FIT TO SENT ITS NO. 1 ECONOMIST ACCOMPANIED BY EXPERTS TO DISCUSS MATTERS. IT HAS FLATTERED US. THIS (MEETING) IS ONE OF THE BEST THINGS THE U.S. HAS DONE IN ASIA.

WE HOPE YOU WILL CONVEY TO PRESIDENT CARTER AND USG HOW BEHOLDEN WE ARE TO HIM FOR THIS ACTION EXTENDED TO 250 MILLION PERSONS IN THIS REGION.

WE ALSO WISH TO THANK YOU FOR THE STRAIGHTFORWARD MANNER IN WHICH YOU ANSWERED OUR MEMBRANDA IN LIGHT OF YOUR KNOWLEDGE, ABILITY AND A REPUTATION WHICH PRECEDED YOU.

OUR (HEADS OF DELEGATION) FEELING IS UNANIMOUS FOR ME TO EXPRESS THIS. END QUOTE.

16. COMMENT: ROMULO'S CONCLUDING REMARKS EXPRESSED -- PERHAPS SOMEWHAT GENEROUSLY -- SENSE OF SATISFACTION OF ASEAN DELEGATIONS WITH MEETING. THIS EVOLVED GRADUALLY SINCE IT WAS EVIDENT THAT TWO SIDES APPROACHED MEETING FROM DIFFERENT PERSPECTIVE; U.S. IN TERMS OF A CONSULTATIVE DIALOGUE, ASEAN IN EXPECTATION OF CONCRETE ECONOMIC BENEFITS. WE SURMISE THAT DEGREE OF SATISFACTION IS NUANCED HIERARCHICALLY. MINISTERS, WHO HAVE BETTER APPRECIATION OF POLITICAL SIGNIFICANCE OF DIALOGUE, WHERE MORE SATISFIED THAN MIDDLE-LEVEL OFFICIALS. THIS WAS REFLECTED IN ALL-NIGHT COMMUNIQUE SESSION WHICH, WE GUESS, WAS IN BEST OF NORTH/SOUTH DIALOGUE TRADITION AND IN WHICH SUCH GENEVA VETERANS AS ALATAS AND YEE CHE FONG (MALAYSIA) PARTICIPATED.
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17. MEETING CAN BE REGARDED AS USEFUL BEGINNING OF US-ASEAN RELATIONS AND DID ADD A NEW AND SUPPLEMENTARY DIMENSION TO OUR RELATIONS WITH SEA COUNTRIES. SUCCESSFUL CONTINUATION OF DIALOGUE WILL REQUIRE MAIN-

TAINING BALANCE BETWEEN U.S. DESIRE TO DEVELOP A
MATURING RELATIONSHIP OF A TWO-WAY DIALOGUE ON ECONOMIC
POLICY ISSUES AND BEING SUFFICIENTLY FORTHCOMING ON
ASEAN CONCERNS ON TRADE, AID AND INVESTMENT.

18. FIRST MEETING ITSELF HAS HAD TANGIBLE RESULTS FOR
U.S. WE BELIEVE THERE IS A MUCH BETTER UNDERSTANDING
OF SOME OF U.S. POLICIES THAN EXISTED BEFORE. INDONESIAN
TRADE MINISTER PRAWIRO, FOR INSTANCE, COMMENTED TO U.S.
DELEGATION PRIVATELY THAT HE HAS A MUCH BETTER UNDERSTAND-
ING OF U.S. DESIDERATA IN THE MTN AND HE WILL USE THE
ASEAN TRADE COMMITTEE MEETING AT END OF THIS MONTH TO GET
ASEAN MOVING. ASEAN APPARENTLY ACCEPTED THAT U.S. DOES
NOT REGARD THESE MEETINGS AS OCCASION TO DOLE OUT GENEROUS
GIFTS.

19. TONE AND ATMOSPHERE OF MEETING WAS THROUGHOUT CORDIAL.
DISCUSSIONS WERE INFORMAL, THERE WAS GOOD GIVE AND TAKE,
AND LITTLE OF ANY POSTURING.
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Decaption Note: 25 YEAR REVIEW
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